

**REPORT OF THE AUDIT OF THE
BRACKEN COUNTY
CLERK**

**For The Year Ended
December 31, 2001**



**EDWARD B. HATCHETT, JR.
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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Dwayne Jett, Bracken County Judge/Executive

Honorable Karen Hamilton Rumford, Bracken County Clerk

Members of the Bracken County Fiscal Court

The enclosed report prepared by Berger & Ross, PLLC, Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the County Clerk of Bracken County, Kentucky, for the year ended December 31, 2001.

We engaged Berger & Ross, PLLC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Berger & Ross, PLLC, evaluated the Bracken County Clerk's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett".

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure



**AUDIT EXAMINATION OF THE
BRACKEN COUNTY CLERK**

**For The Year Ended
December 31, 2001**

Berger & Ross, PLLC
Certified Public Accountants and Fraud Examiners
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Louisville, KY 40299-1837
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE BRACKEN COUNTY CLERK

**For The Year Ended
December 31, 2001**

Berger & Ross, PLLC has completed the Bracken County Clerk's audit for calendar year 2001. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Excess Fees increased by \$9,377 from the prior calendar year, resulting in excess fees of \$20,532 as of December 31, 2001. Revenues increased by \$73,244 from the prior year and disbursements increased by \$62,012.

Report Comment:

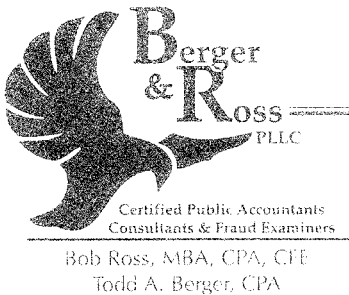
- The County Clerk's Office Lacks Proper Segregation of Duties

Deposits:

The Clerk's deposits were insured and collateralized by bank securities or bonds.

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Association of Certified Fraud Examiners
Association of Government Accountants
County Accountants of the
Southeast Association of Accountants
National Association of Tax Interpreters
Government Finance Officers Association

To the People of Kentucky
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Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Bracken County, Kentucky, for the year ended December 31, 2001. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 2001, in conformity with the modified cash basis of accounting.

To the People of Kentucky
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In accordance with Government Auditing Standards, we have also issued our report dated July 15, 2002, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following area of noncompliance:

- The County Clerk's Office Lacks Proper Segregation of Duties

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Berger & Ross", with a long horizontal flourish extending to the right.

Berger & Ross, PLLC

Audit fieldwork completed –
July 15, 2002

BRACKEN COUNTY
KAREN HAMILTON RUMFORD, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

For The Year Ended December 31, 2001

Receipts

State Grants		\$	21,211
State Fees for Services			3,903
Fiscal Court			11,391
Licenses and Taxes:			
Motor Vehicle -			
Licenses and Transfers	\$	173,926	
Usage Tax		474,418	
Liens		1,892	
Tangible Personal Property Tax		536,355	
Licenses -			
Fish and Game		11,932	
Marriage		2,829	
Occupational		1,139	
Deed Transfer Tax		15,330	
Delinquent Taxes		<u>33,067</u>	1,250,888
Fees Collected for Services:			
Recordings -			
Deeds, Easements, and Contracts	\$	7,229	
Real Estate Mortgages		17,253	
Chattel Mortgages and Financing Statements		27,467	
Powers of Attorney		301	
Other Recordings		<u>9,943</u>	62,193
Other:			
Copywork	\$	1,921	
Miscellaneous		6,375	
Interest Earned		872	
Candidate Filings		<u>1,000</u>	<u>10,168</u>
Total Receipts			\$1,359,754

The accompanying notes are an integral part of the financial statement.

BRACKEN COUNTY
 KAREN HAMILTON RUMFORD, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 For The Year Ended December 31, 2001
 (Continued)

Disbursements

Payments to State:

Motor Vehicle -

Licenses and Transfers	\$	134,038	
Usage Tax		459,051	
Tangible Personal Property Tax		<u>181,175</u>	\$ 774,264

Licenses and Taxes -

Fish and Game	\$	11,550	
Delinquent Tax		3,580	
Legal Process Tax		<u>8,358</u>	23,488

Payments to Fiscal Court:

Tangible Personal Property Tax	\$	68,117	
Delinquent Tax		4,939	
Deed Transfer Tax		12,016	
Occupational Licenses		<u>942</u>	86,014

Payments to Other Districts:

Tangible Personal Property Tax	\$	265,617	
Delinquent Tax		<u>14,111</u>	279,728

Payments to Sheriff

1,555

Payments to County Attorney

4,380

Operating Disbursements and Capital Outlay:

Personnel Services -

Deputies' Salaries	\$	67,035	
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Contracted Services -

Office Cleaning		198	
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Materials and Supplies -

Office Supplies		<u>3,471</u>	<u>70,704</u>
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Disbursements (Carried Forward)

\$1,240,133

The accompanying notes are an integral part of the financial statement.

BRACKEN COUNTY
 KAREN HAMILTON RUMFORD, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 For The Year Ended December 31, 2001
 (Continued)

Disbursements (Brought Forward)		\$1,240,133
Other Charges -		
Conventions and Travel	\$ 3,179	
Dues	1,574	
Libraries and Archives Grant	21,211	
Postage	3,076	
Refunds/Cold Checks	1,142	
Miscellaneous	<u>3,068</u>	33,250
Debt Service:		
Lease Agreements		<u>5,314</u>
Total Disbursements		<u>\$1,278,697</u>
Net Receipts		\$ 81,057
Less: Statutory Maximum		<u>56,925</u>
Excess Fees		\$ 24,132
Less: Expense Allowance		<u>3,600</u>
Excess Fees Due County for Calendar Year 2001		\$ 20,532
Less: Payments to County Treasurer - February 14 2002	\$ 20,522	
Less: Payments to County Treasurer - April 12, 2002	<u>10</u>	<u>20,532</u>
Balance Due at Completion of Audit		<u>\$ -</u>

The accompanying notes are an integral part of the financial statement.

BRACKEN COUNTY
NOTES TO THE FINANCIAL STATEMENT

December 31, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2001.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies instrumentalities, obligations, and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS) pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Non-hazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for non-hazardous employees was 7.17 percent for the first six months and 6.41 percent for the last six months of the calendar year.

Benefits fully vest on reaching five years of service for non-hazardous employees. Aspects of benefits for non-hazardous employees include retirement after 27 years of service or age 65.

BRACKEN COUNTY
NOTES TO THE FINANCIAL STATEMENT
December 31, 2001
(Continued)

Note 2. Employee Retirement System (Continued)

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement System's annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2001, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name, or provided surety bond which named the County Clerk as beneficiary/obligee on the bond.

Note 4: Grants

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$21,140. The Clerk received the full grant amount in the year 2001, and earned interest in the amount of \$71. Funds totaling \$21,211 were expended during calendar year 2001. The grant balance is \$0 as of December 31, 2001.

Note 5. Leases

The office of the County Clerk is committed to a lease agreement with Toshiba for two copiers. The agreement requires a monthly payment of \$416 for 60 months to be completed on November 24, 2004. The total balance of the agreement was \$14,580 as of December 31, 2001.

The office of the County Clerk is also committed to a lease agreement with Francotyp-Postalia for a postage meter machine. The agreement requires a yearly payment of \$318 for 3 years, to be completed on October 13, 2002. Upon completion of this lease, there is automatic renewal available for consecutive one-year terms.

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COMMENT AND RECOMMENDATION

BRACKEN COUNTY
KAREN HAMILTON RUMFORD, COUNTY CLERK
COMMENT AND RECOMMENDATION

Calendar Year 2001

INTERNAL CONTROL – REPORTABLE CONDITION AND MATERIAL WEAKNESS:

The County Clerk's Office Lacks Proper Segregation of Duties

We noted the lack of an adequate segregation of duties for the internal control structure and its operation that in our judgement is a reportable condition under standards established by the American Institute of Certified Public Accountants. Due to the entity's diversity of official operations, small size, and budget restrictions, the official has limited options for establishing an adequate segregation of duties. Management has considered and rejected additional cost when setting budget limits on spending for salaries and therefore accepts the degree of risk for a lack of an adequate segregation of duties. However, Berger & Ross, PLLC has judged the lack of an adequate segregation of duties as a reportable condition.

County Clerk's Response:

I understand.

Prior Year:

The County Clerk's Office Lacks Proper Segregation of Duties

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



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Chartered Accountants Association
National Association of Accountants
National Association of Certified Public Accountants
Governmental Finance Officers Association

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**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the statement of receipts, disbursements, and excess fees of the Bracken County Clerk for the year ended December 31, 2001, and have issued our report thereon dated July 15, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Bracken County Clerk's financial statement for the year ended December 31, 2001, is free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Bracken County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying comment and recommendation.

Report on Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting

- The County Clerk's Office Lacks Proper Segregation of Duties

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition referred to above to be a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatcher", with a long horizontal flourish extending to the right.

Berger & Ross, PLLC

Audit Fieldwork completed –
July 15, 2002

